

## **Blue Ribbon Commission on Transportation Revenue Committee**

### **Meeting Summary**

**November 16, 1999**

Adopted (12/14/99)

**Committee members present:** Representative Ed Murray (Acting Chair), Roger Dormaier, Dave Earling, Governor Booth Gardner, Neil Peterson, Mike Roberts, Commissioner Judy Wilson

**Committee members not present:** Jim Fitzgerald, Bob Helsell, Larry Pursley, Skip Rowley, Senator George Sellar

In the absence of the chair and vice chair, the meeting was called to order by Acting Chair Representative Ed Murray at 8:30 am at the SeaTac Airport small auditorium. The Committee approved the October 14, 1999 meeting summary.

During the public comment period, David Allen of the Transportation Choices Coalition addressed the committee. He provided a handout summarizing recent public opinion research that found strong voter support of options like transit. He said his organization advocated a balanced transportation system that focused on moving people. He noted also that in the new environment emphasizing efficiency should mean not only providing infrastructure at a lower cost, but also making wise choices about which infrastructure to build.

### **Discussion of I-695**

Chairman Murray announced a change in the agenda to allow a discussion of the results of Initiative 695. He began the discussion by noting that in his district, 70% of the voters opposed I-695, but were angry because the Legislature and Governor did not act soon enough to address the issue. He went on to say that there is a new focus on developing real solutions and the I-695 vote has created both real challenges and real opportunities. The Blue Ribbon Commission may experience a new level of pressure to produce meaningful results. Its product will have to tell a story and connect to people and to the reality they experience.

It was noted that there is talk of a property tax initiative and only if policy makers respond to citizens by making real and appropriate budget cuts will it be possible to head off another initiative. Among transit agencies, there will be cuts of 25% to over 40% in service. BRCT

needs to track the impacts on the transportation system and on citizens over the next months to gauge when the time will be right for new proposals. Many local governments will need to turn to the property tax to fill shortfalls. Cities that have a strong sales tax base will be better off than cities without one or than counties. While the state's economy is robust, I-695 represents a narrowing of the tax base and a real concern during the next slowdown.

On the positive side, it was noted that when people want services, they are willing to tax themselves. Voters tend to look at each proposal separately and may well support a BRCT proposal if it is reasonable. Members discussed the timing of the BRCT's work and concluded they need to stay the course with the adopted timeline. Members also discussed opportunities for privatizing services such as transit and ferries, which is happening increasingly in places such as England and Australia. Rather than just a set of proposals or a list of projects, BRCT needs a strategy for the whole system, including priorities, the capacity of roads and transit, pricing, that will make a real difference. Along with the strategy, there is a need for a funding package. The true test will be whether voters believe the system will do business differently.

### **Presentation on Gas Tax Indexing**

Greg Hanon, representing the major oil companies in the Western States Petroleum Association, began his remarks by saying that his organization supports the BRCT and is committed to being part of a solution. WSPA does not oppose an increase in the state gas tax. It opposes indexing the gas tax to inflation and also opposes local option gas taxes. Currently the gas tax collects \$1.5 billion per biennium, about half of all transportation revenues. While it is true that gas tax revenues do not track inflation, that is because the gas tax is a volume-based, not a price-based tax. On the other side, gas tax revenues do not decline in economic downturns. It is not true that the Legislature has been reluctant to raise the gas tax; it has done so seven times in 25 years.

The WSPA is opposed to indexing because it breaks the link between the tax and budgetary policy making. Asked whether WSPA could support indexing with a 601-type factor limiting increases by use of a cap, Hanon said he believes the Legislature should make decisions to raise taxes; it is not in the public interest to increase revenues without a review. When new revenues are needed, there should be a debate about how much and by what method. The public expects sound governance and if a tax is put on auto-pilot that is not sound.

It was noted that there was no place in the world where gasoline is as cheap as it is in the US and in fact gas is cheaper today in constant dollars than it was in 1968. Hanon was asked whether, in light of I-695, his organization was still opposed to local option gas taxes. Hanon replied that there are economic consequences to dealers inside and outside the boundaries of a taxing district. There is also the issue of how to distribute the tax back to local jurisdictions. Finally, the voters have shown that they do not support local options.

A member asked about the concept of indexing with a sunset provision. Hanon replied that a gas tax increase stair-stepped over a number of years would have the same effect. There are numerous ways to get new revenues without resorting to indexing. Members probed on other

limited uses of indexing such as dedication to bonds or as part of an overall strategy. Hanon replied that he was reluctant to say “never.”

## **Discussion of Committee Options**

Chair Murray introduced the discussion of Committee revenue options by referring to the handout titled, “Draft Matrix of Options.” Gerry Cormick, facilitator assisting the Committee, explained that across the top of the matrix were a series of questions or criteria that should be asked about each option: What are the advantages? Who benefits? What trade-offs would be needed? Who would implement? What are the cost and revenue implications? What other issues are there? Kathy Elias, Committee staff person, added that the options list was organized around four main goals and was the result of the brainstorming at the last meeting. The four goals identified were: simplification of the funding structure; improvement of funding distribution; improvement of revenue production from existing sources; and improvement of production from new sources.

A member suggested that the revenue structure needed to support an overall strategy with one or several goals, such as congestion relief. It was noted that development and prioritization of goals was the task of the Investment Committee. Gerry Cormick also observed that the revenue sources will drive alignment with the broader strategies. The overarching goal, it was noted, was moving people and goods. Cormick asked members to comment on what questions need to be answered about each option. The following were added to the list: Who opposes the option? What road blocks are in the way? How many of the goals does it meet? How does it relate to the benchmarks? It was also noted that the Who implements? question was not that relevant since state and local government would always be the answer.

The questions were applied to the example of gas tax indexing:

- **What are the advantages?** Automatic increases in revenues; improved stability in planning; alignment of revenues with costs and population growth.
- **What are the disadvantages?** Increases put on auto-pilot; disengaged policy makers; political risk.
- **Who benefits/opposes?** Beneficiaries would be the public sector and other industries; opponents petroleum industry.
- **What trade-offs would be needed?** Might need a sunset provision or a time-limited window.
- **Who would implement?** The existing system.
- **What are the cost and revenue implications?** Revenues would depend on inflation rates or growth factors.
- **What other issues are there?** This would probably work best in conjunction with other measures.

Gerry Cormick suggested moving through the list of options at a fast clip to broadly set the agenda and identify options that will be essential building blocks. The following comments were offered:

**Systemwide Principles #2.** This sounds good, but there are questions about how this would work.

**Systemwide Principles #3.** The message of I-695 is there needs to be a direct linkage between revenue and spending, so the enterprise fund concept makes sense. With other enterprise funds, however, there are rate payers and the funds are self-supporting. Proprietary funds, on the other hand can be subsidized.

**Systemwide Principles #4.** This is not a bad idea if cities had certain local funds dedicated; it might work well with added revenues. This should be discussed with representatives of cities.

**Systemwide Principles #5.** Bonding definitely needs more widespread use.

**Systemwide Principles #6.** An excellent idea to authorize a higher gas tax in congested areas and dedicate it to certain purposes. If a regional agency did the planning and funding for regional solutions, that would be best, similar to structures that have been created in Los Angeles and Vancouver.

It was suggested that a potential structure might dedicate the first 10 cents to preservation; the next 5 cents to local improvement projects; the next increment to regional congestion or freight mobility improvements, and so on.

**Structural Issues #2.** Shifting to solutions is what is important.

**Structural Issues #3.** This one should be collapsed with #2 as they are related.

**Structural Issues #4.** There are two broad categories of user fees: route-specific ones such as bridge tolls and broad-based ones such as VMT fees. There are equity issues that need to be dealt with as citizens wonder why they should have to pay a toll on their bridge when the next bridge is free. This category should also include congestion pricing and the various technology options should be researched. Local high tech firms should be involved. It should be assumed that any option proposed will have to go to the voters. Another area to look at for user fees is the ferry system.

**Structural Issues #5.** This item belongs more appropriately to the Administration Committee.

**Structural Issues #6.** Transit funding for the BRCT is really the long-term issue, not the immediate funding problem that may need a solution in this legislative session. A working document on transit funding would be helpful.

Members returned to the question of the timing of the BRCT's recommendations and whether it might make sense to look at revisiting the timeline, especially with respect to the crisis in transit funding created by I-695. It was commented that the package needs to be thoughtful and carefully developed to be "saleable." The transit problem will need a broader solution if it is to be done right. If either the Investment or Administration Committees have recommendations that can be brought forward earlier, they should do so. It was suggested that synopses of the efforts of the three committees would be helpful.

The committee adjourned at 11:30 am.